



Marketing



Chapter 10: Product Concepts

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Learning Outcomes

LO¹

Define the term *product*

LO²

Classify consumer products

LO³

Discuss the importance of services to the economy

LO⁴

Discuss the differences between services and goods



Learning Outcomes

LO⁵

Define the terms *product item*, *product line*, and *product mix*

LO⁶

Describe marketing uses of branding

LO⁷

Describe marketing uses of packaging and labeling

LO⁸

Discuss global issues in branding and packaging

LO⁹

Describe how and why product warranties are important marketing tools

What Is a Product?

LO¹

Define the term *product*.

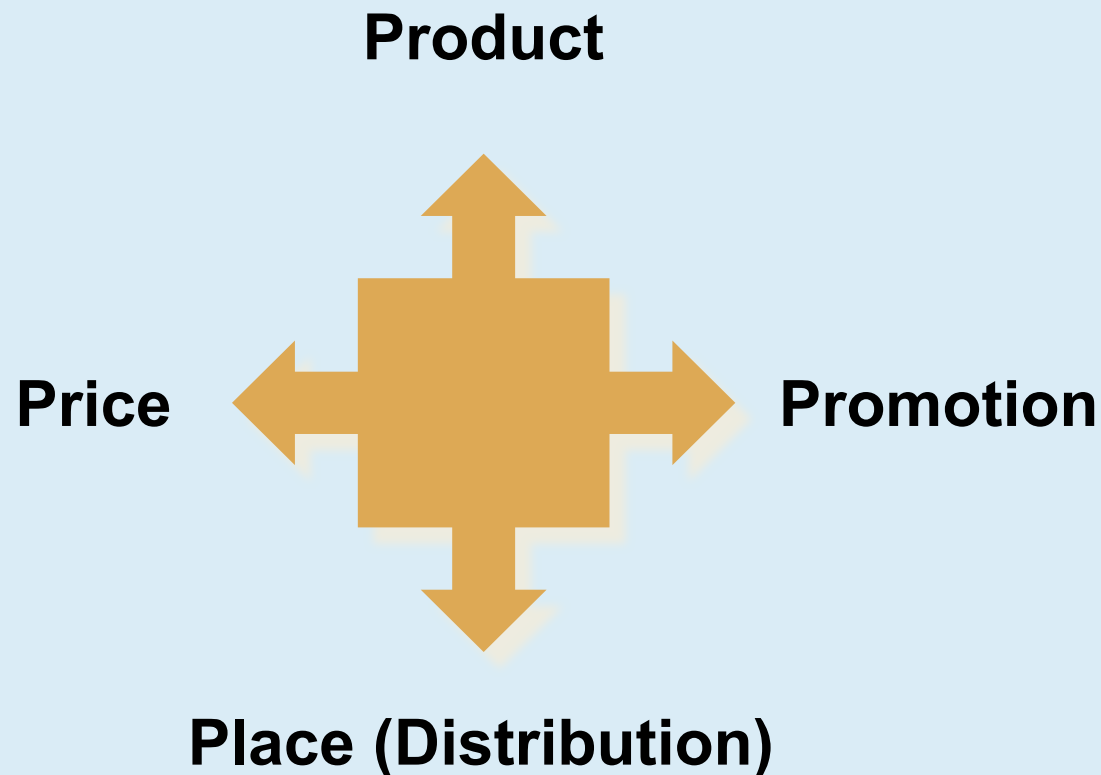
What Is a Product?

Everything, both favorable and unfavorable, that a person receives in an exchange.

- **Tangible Good**
- **Service**
- **Idea**

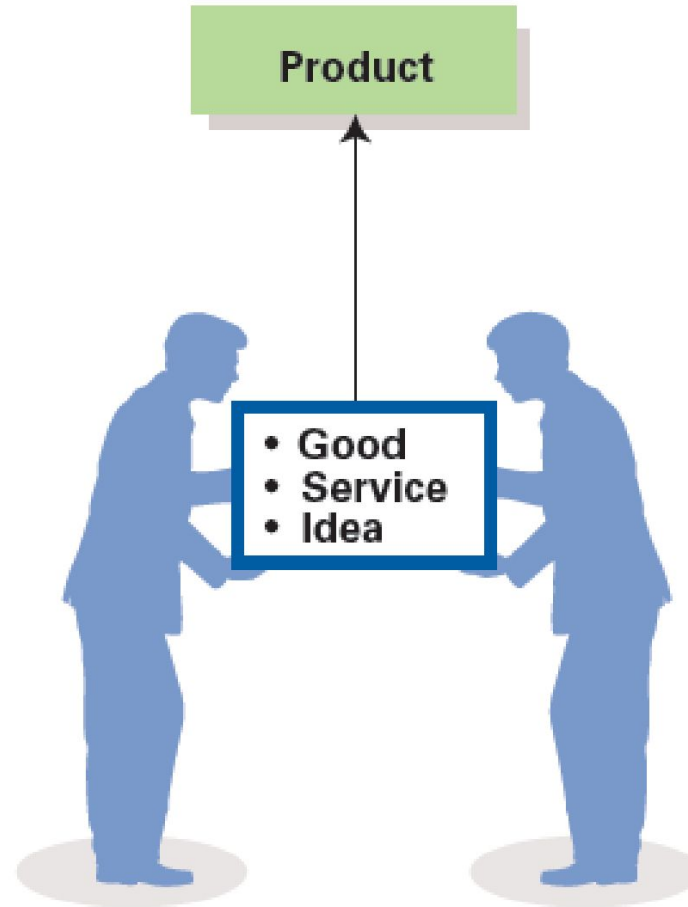
What Is a Product?

Product is the starting point of Marketing Mix



Review Learning Outcome

Define the Term *Product*



Types of Consumer Products

LO²

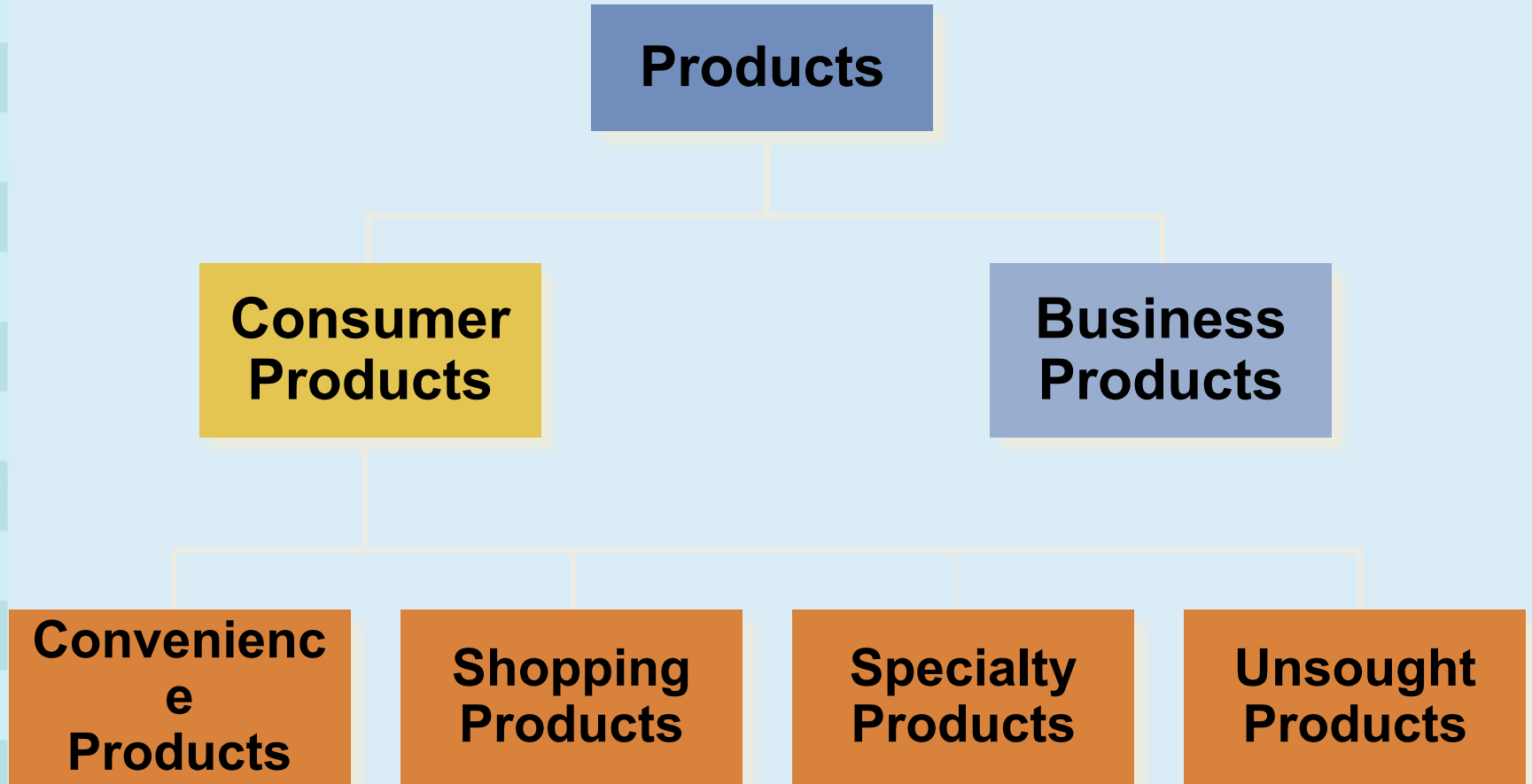
Classify consumer products.

Types of Products

Business Product - A product used to manufacture other goods or services, to facilitate an organizations operations, or to resell to other consumers.

Consumer Product - A product bought to satisfy an individual's personal needs or wants.

Types of Consumer Products

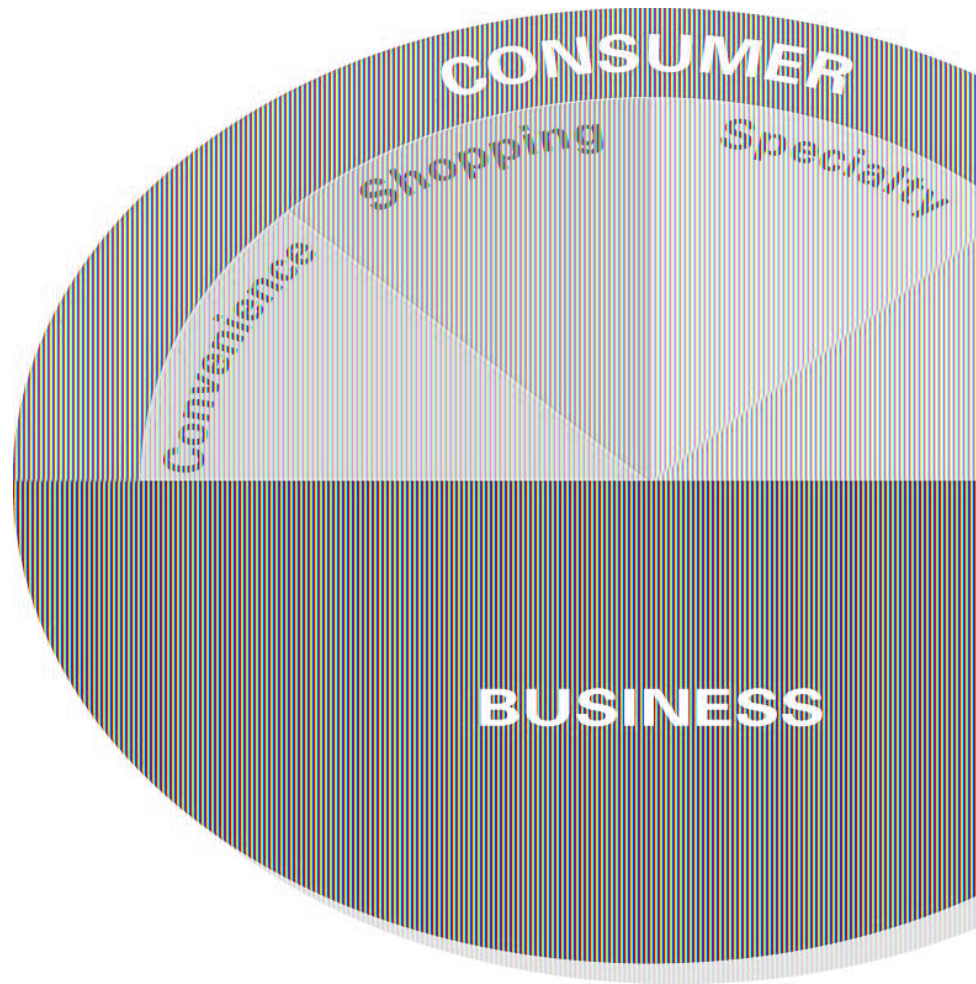


Types of Consumer Products

Convenience Product	A relatively inexpensive item that merits little shopping effort
Shopping Product	A product that requires comparison shopping, because it is usually more expensive and found in fewer stores
Specialty Product	A particular item for which consumers search extensively and are reluctant to accept substitutes
Unsought Product	A product unknown to the potential buyer or a known product that the buyer does not actively seek

Review Learning Outcome

Consumer Products



The Importance of Services

LO³

Discuss the importance of services to the economy.

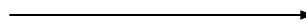
Service

**The result of applying human
or
mechanical efforts to
people or objects.**

Review Learning Outcome

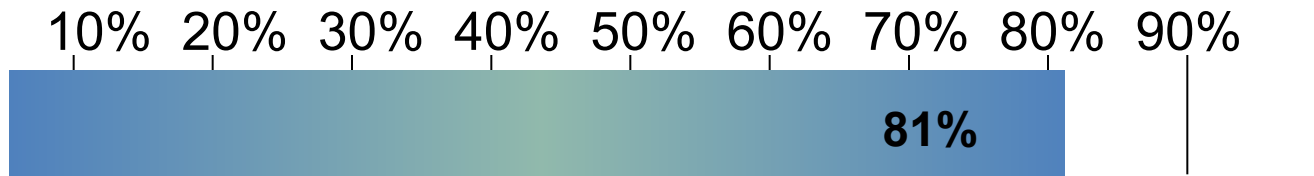
The Importance of Services

Services

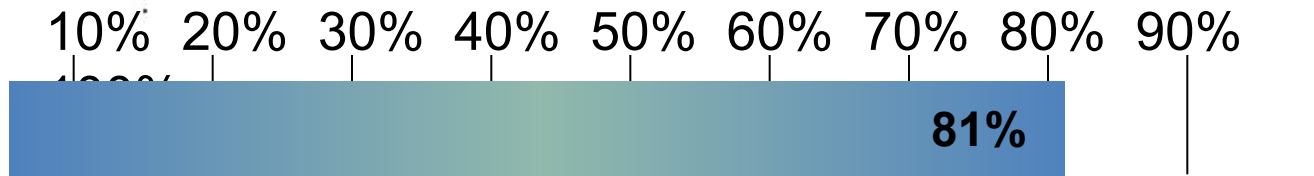


**Deed
Performance
Effort**

Services as a percentage of GDP



Services as a percentage of employment



How Services Differ from Goods

LO⁴

**Discuss the differences
between
services and goods.**

How Services Differ from Goods

Four Unique Service Characteristics

- **Intangibility**
- **Inseparability**
- **Heterogeneity**
- **Perishability**

How Services Differ from Goods

Intangibility

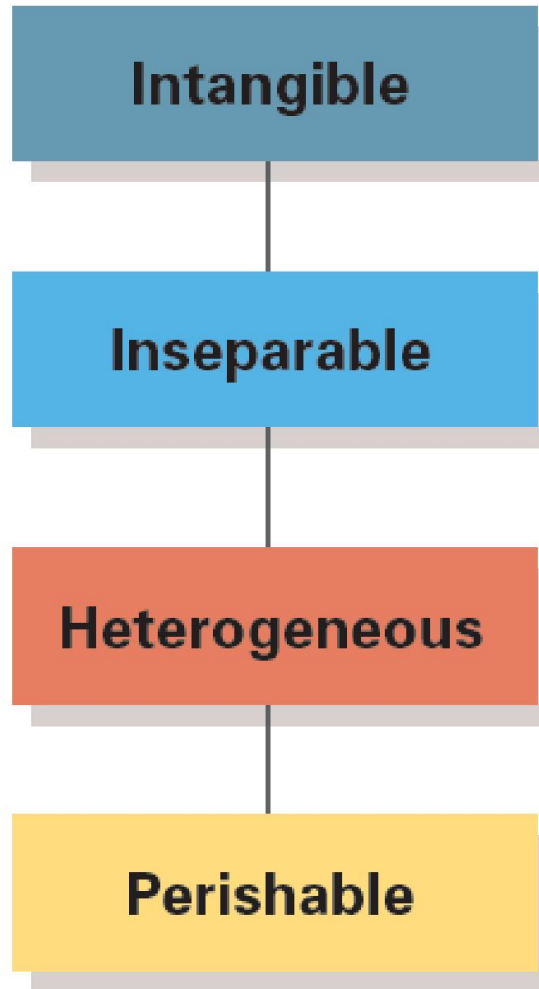
- Search Qualities
- Experience Qualities
- Credence Qualities

<http://www.webmd.com>

Online

Review Learning Outcome

The Difference Between Services and Goods



Product Items, Lines, and Mixes

LO⁵

**Define the terms *product item*,
product line, and *product mix*.**

Product Items, Lines, and Mixes

Product Item	A specific version of a product that can be designated as a distinct offering among an organization's products.
Product Line	A group of closely-related product items.
Product Mix	All products that an organization sells.

Campbell's Product Lines and Mix

Width Of The Product Mix					
Depth Of The Product Lines	Canned Soups	Microwave Soups	Gravies	Meal Kits	Tomato Juice
	Chicken Noodle	Creamy Tomato	Beef	Chicken Pasta	Regular
	Tomato	Vegetable	Turkey	Stroganoff Pasta	Low Sodium
	Vegetable Beef	Chicken Noodle	Mushroom	Chicken With Rice	Organic
	French Onion	Creamy Chicken	Chicken	Pork Chops With Stuffing	Healthy Request
	More	More	More	More	

Source: Campbell's Web site: <http://www.campbellsoup.com>, June 10, 2008.

Benefits of Product Lines

Advertising Economies

Package Uniformity

**Standardized
Components**

**Efficient Sales and
Distribution**

Equivalent Quality

Product Mix Width

**The number of product lines
an organization offers.**

- **Diversifies risk**
- **Capitalizes on established reputations**

Product Line Depth

The number of product items in a product line.

- **Attracts buyers with different preferences**
- **Increases sales/profits by further market segmentation**
 - **Capitalizes on economies of scale**
 - **Evens out on seasonal sales patterns**

Adjustments

*Adjustments to
Product Items,
Lines, and Mixes*

**Product
Modification**

**Product
Repositioning**

**Product Line
Extension or
Contraction**

Types of Product Modifications

Quality Modification

Functional Modification

Style Modification

Planned Obsolescence

The practice of modifying products so those that have already been sold become obsolete before they actually need replacement.

Repositioning

Why reposition established brands?

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graph TD; A["Why reposition established brands?"] --- B["Changing Demographics"]; A --- C["Declining Sales"]; A --- D["Changes in Social Environment"]
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Changing Demographics

Declining Sales

Changes in Social Environment

Product Line Extension

**Adding additional products to
an
existing product line in order
to complete more broadly
in the industry.**

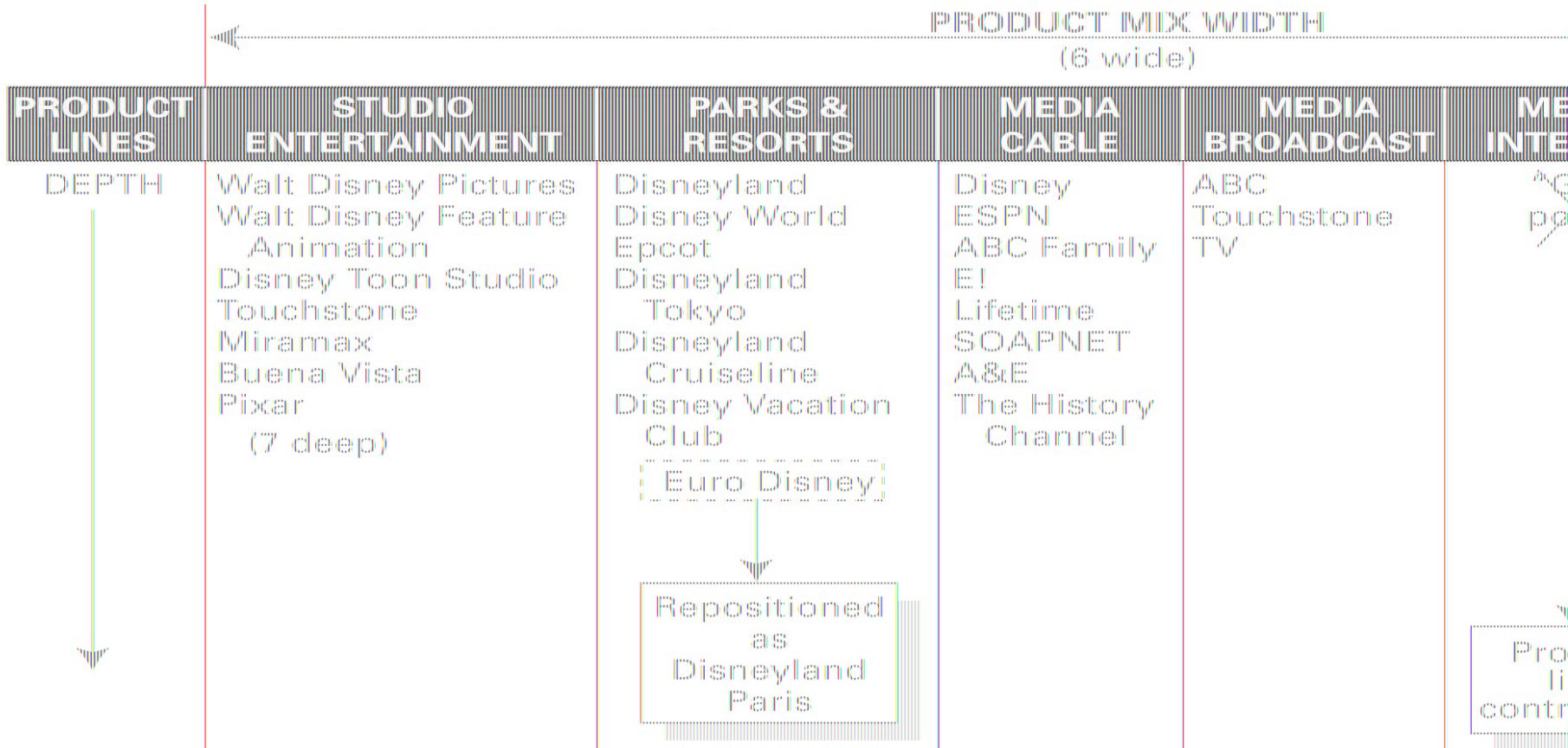
Product Line Contraction

Symptoms of Product Line Overextension

- **Some products have low sales or cannibalize sales of other items**
- **Resources are disproportionately allocated to slow-moving products**
- **Items have become obsolete because of new product entries**

Review Learning Outcome

Product Item, Product Line, and Product Mix



Branding

LO⁶

**Describe marketing
uses of branding.**

Brand

**A name, term, symbol,
design,
or combination thereof that
identifies a seller's products
and differentiates them
from competitors' products.**

Branding

Brand Name	That part of a brand that can be spoken, including letters, words, and numbers
Brand Mark	The elements of a brand that cannot be spoken
Brand Equity	The value of company and brand names
Global Brand	A brand where at least one-third of the product is sold outside its home country

Benefits of Branding

**Product
Identification**

Repeat Sales

**New Product
Sales**

Top Ten Global Brands

Global

1. Coca-Cola

2. IBM

3. Microsoft

4. GE

5. Nokia

6. Toyota

7. Intel

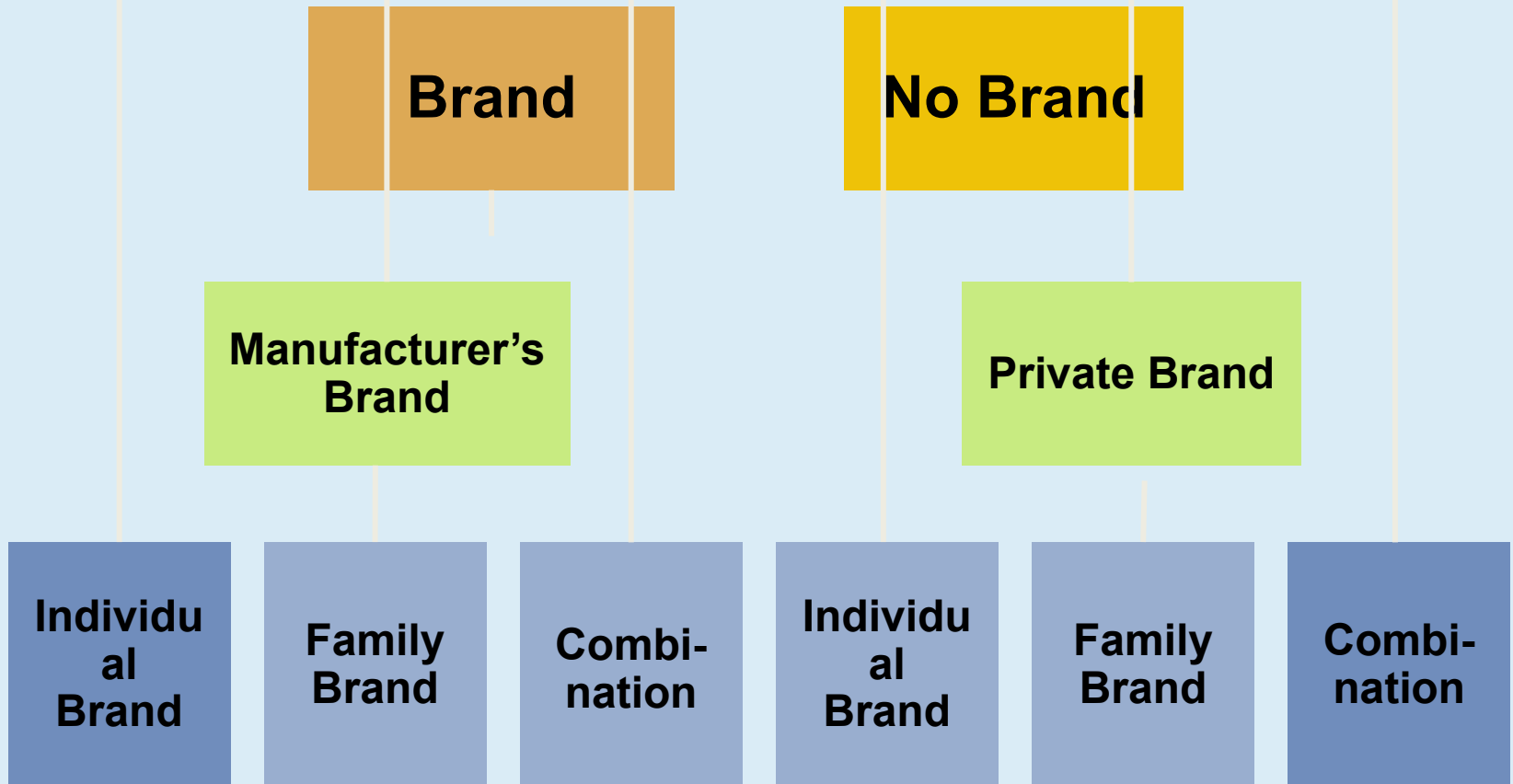
8. McDonald's

9. Disney

10. Google

Source: Reprinted from the September 29, 2008, issue of *Business Week* by special permission, copyright © 2007 by The McGraw-Hill Companies, Inc.

Branding Strategies



Manufacturers' Brands Versus Private Brands

Manufacturer's Brand- The brand name of manufacturer.

Private Brand- A brand name owned by a wholesaler or a retailer. Also known as private label or store brand.

Advantages of Manufacturers' Brands

- Heavy consumer ads by manufacturers
- Attract new customers
- Enhance dealer's prestige
- Rapid delivery, carry less inventory
- If dealer carries poor quality brand, customer may simply switch brands and remain loyal to dealer

Advantages of Private Brands

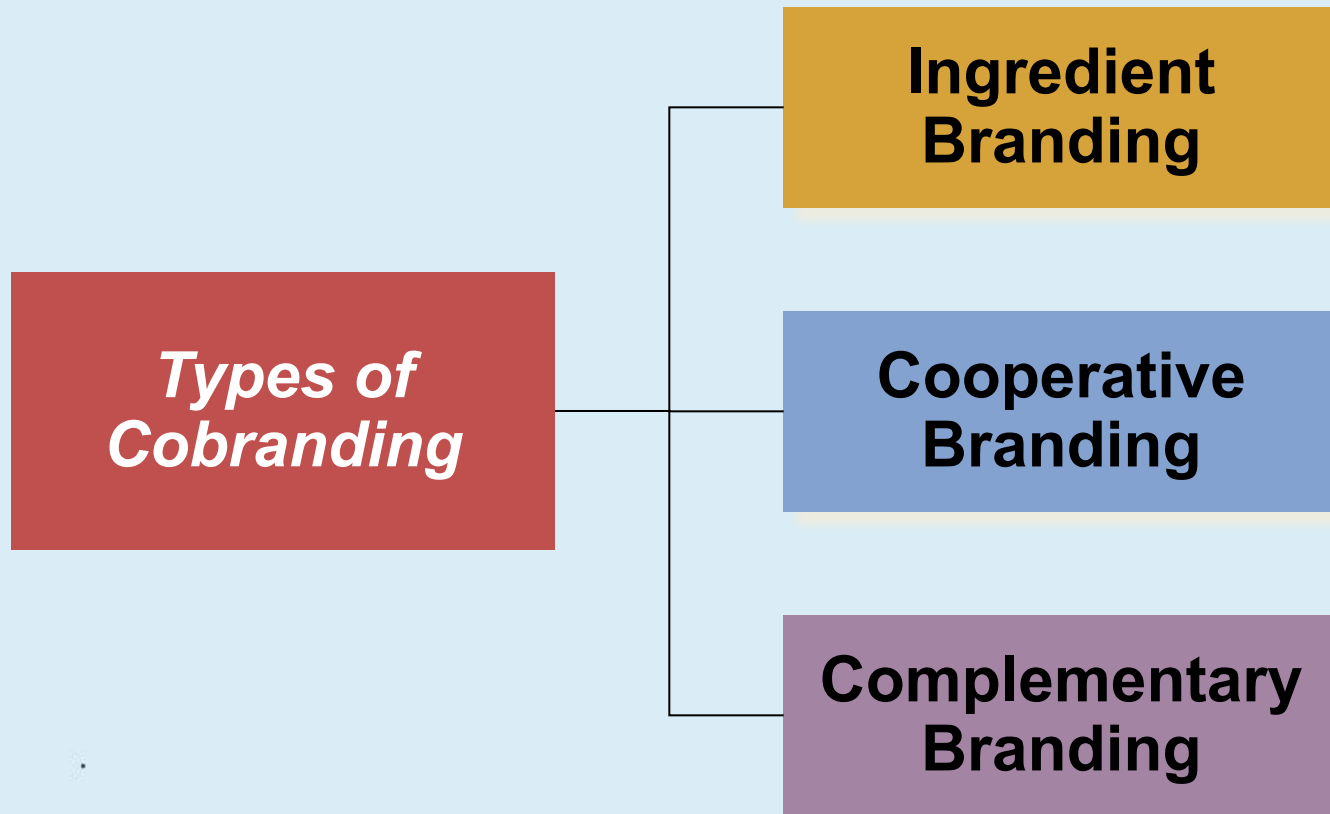
- Earn higher profits on own brand
- Less pressure to mark down price
- Manufacturer can become a direct competitor or drop a brand/reseller
- Ties customer to wholesaler or retailer
- Wholesalers and retailers have no control over the intensity of distribution of manufacturers' brands

Individual Brands Versus Family Brands

**Individual Brand- Using
different
brand names for different
products.**

**Family Brand- Marketing
several
different products under the
same brand name.**

Cobranding



Trademarks

A Trademark is the exclusive right to use a brand.

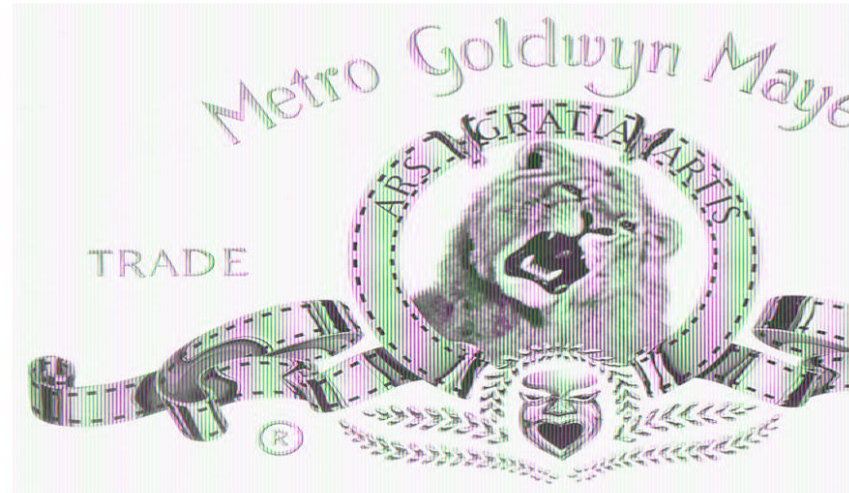
- Many parts of a brand and associated symbols qualify for trademark protection.
- Trademark right comes from use rather than registration.
- The mark has to be continuously protected.
- Rights continue for as long as the mark is used.
- Trademark law applies to the online world.

Review Learning Outcome

Marketing Uses of Branding

Brand name: MGM

Brand mark:

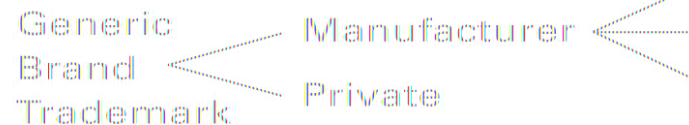


BRANDING

Benefits

- Brand equity (from being able to identify product)
- Brand loyalty (from repeat sales)
- Brand recognition (to generate new product sales)

Strategies



Packaging

LO⁷

Describe marketing uses of packaging and labeling.

Functions of Packaging

Contain and Protect

Promote

**Facilitate Storage, Use,
and Convenience**

Facilitate Recycling

Labeling

Persuasive

- **Focuses on promotional theme**
- **Consumer information is secondary**

Informational

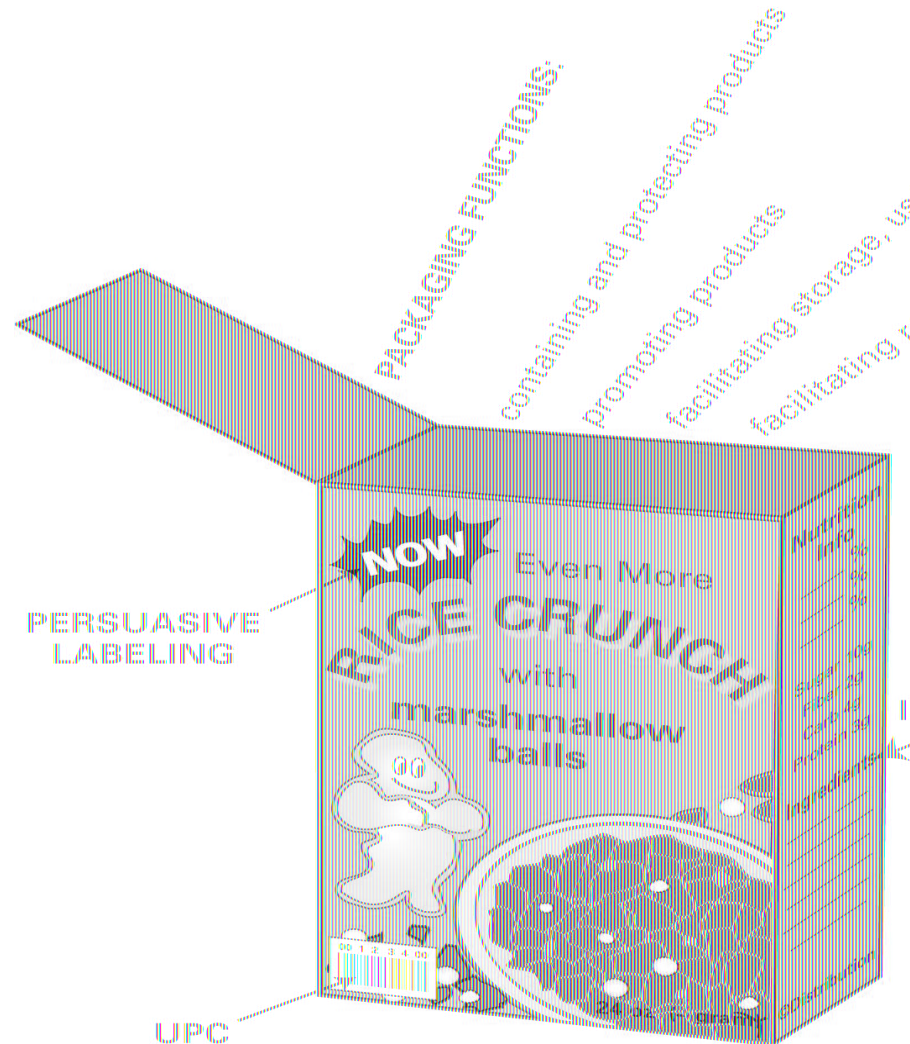
- **Helps make proper selections**
- **Lowers cognitive dissonance**
- **Includes use/care**

Universal Product Codes

**Universal Product Codes (UPCs)-
A series of thick and thin vertical
lines (bar codes),
readable by computerized optical
scanners, that represent numbers
used to track products.**

Review Learning Outcome

Packaging and Labeling



Global Issues In Branding and Packaging

LO⁸

**Discuss global issues
in branding and packaging.**

Global Issues in Branding



**One Brand Name
Everywhere**

**Adaptations &
Modifications**

**Different Brand
Names in Different
Markets**

Global Issues in Packaging



Labeling

Aesthetics

**Climate
Considerations**

Review Learning Outcome

Global Issues in Branding and Packaging



Branding Choices:

1 name
Modify or adapt 1 name
Different names in
different markets

Packaging Considerations:

Labeling
Aesthetics
Climate

Product Warranties

LO⁹

**Describe how and why
product
warranties are important
marketing tools.**

Product Warranties

Warranty	A confirmation of the quality or performance of a good or service.
Express Warranty	A written guarantee.
Implied Warranty	An unwritten guarantee that the good or service is fit for the purpose for which it was sold. (UCC)

LO⁹

Review Learning Outcome

Product Warranties

Express warranty = written guarantee

Implied warranty = unwritten guarantee